



CITY OF DURHAM | NORTH CAROLINA

Date: March 8, 2011

To: Thomas J. Bonfield, City Manager

Through: Theodore L. Voorhees, Deputy City Manager

From: Joel V. Reitzer, Jr., Director, General Services Department
John P. Gregory, Assistant Director, General Services Department
Trish Creta, Senior Construction Project Manager

Subject: The Durham Arts Council and Carolina Theatre Phase II Project:
Amendment No. 2-M and 2-N to the Skanska USA Building (CMAR)
Contract

Executive Summary

In 2005, General Obligation Bonds were authorized to complete facility and accessibility improvements and deferred maintenance at six downtown locations, referred to as the Downtown Bundle Phase I. The FY2008-09 and FY2009-10 Capital Improvements Program provided additional funding for upgrades to The Durham Arts Council, Carolina Theatre, and two other projects, identified as the Downtown Bundle Phase II, to address necessary unfunded improvements. Skanska USA Building, Inc. (Skanska) performed preconstruction and construction services for Phase I through their role as Construction Manager at Risk (CMAR). Skanska has provided preconstruction services during Phase II design. City Council approved an agenda item on March 7, 2011 giving the City Manager authority to execute a contract with Skanska for early procurement of the carpet for the Carolina Theatre sub-project. This item requests authority for Skanska, as the CMAR, to provide full construction services on Phase II for The Durham Arts Council sub-project and Carolina Theatre sub-project of the Phase II Downtown Bundle. Skanska has submitted separate Preliminary Guaranteed Maximum Prices (PGMP) within the budgeted amounts for each respective project.

Recommendation

The Department of General Services recommends that the City Council:

1. Authorize the City Manager to execute Amendment No. 2-M for The Durham Arts Council to the CMAR contract with Skanska USA Building for construction phase services, in an amount not to exceed \$2,854,639.00.
2. Establish a project contingency in the amount of \$295,044.00 and authorize the City Manager to negotiate and execute change orders on the Amendment No. 2-M to the CMAR contract with Skanska USA Building, provided the total project cost does not exceed the amount budgeted for construction phase services plus the project contingency.

3. Authorize the City Manager to execute Amendment No. 2-N for the Carolina Theatre to the CMAR contract with Skanska USA Building for construction phase services, in an amount not to exceed \$1,574,490.00.
4. Establish a project contingency in the amount of \$157,449.00 and authorize the City Manager to negotiate and execute change orders on the Amendment No. 2-N to the CMAR contract with Skanska USA Building, provided the total project cost does not exceed the amount budgeted for construction phase services plus the project contingency.

Background

In 2003, engineering firm Carter & Burgess, Inc. completed a facility condition assessment of The Durham Arts Council, Carolina Theatre, and other City facilities, identifying needed repair work and deferred maintenance. In November 2005, the City of Durham issued \$110 million in General Obligation (GO) Bonds to fund a broad portfolio of capital improvement projects, including facility upgrades and deferred maintenance.

In April 2006, City Council approved a professional services contract to Heery International, Inc. (Heery), to complete the design services for the Downtown Bundle Project Phase I. In October 2006, City Council approved Skanska USA Building, Inc. (Skanska) to provide Construction Management at Risk (CMAR) preconstruction and construction services. Downtown Bundle Phase I projects were completed as scheduled.

During the Phase I design, The Durham Arts Council and Carolina Theatre were identified as having insufficient funding to complete the full scope of all recommended upgrades. Heery's Basis of Design Report itemized the unfunded scope and this itemized list resulted in a request for CIP funding. In FY2008-09 and FY2009-10, the City authorized additional funding to complete upgrades. In September 2009, City Council approved contract amendments with Heery and Skanska for pre-design services of Phase II of the Downtown Bundle in order to investigate and fully define scope and to forecast costs. As part of the Phase II pre-design and in consultation with project stakeholders, staff identified three levels of priorities, in order of importance: 1) code compliance/life safety, 2) deferred maintenance and 3) facility upgrades, along with associated cost estimates to determine if funding was in alignment with the scope items. In April 2010, City Council approved a contract amendment with Heery to perform consulting services for the completion of design on Phase II of the Downtown Bundle. In February 2011, City Council approved a contract amendment with Skanska to continue preconstruction services for The Durham Arts Council and Carolina Theatre subprojects. To maintain an efficient schedule and minimize impacts to the Carolina Theatre, City Council approved a PGMP and contract amendment for early procurement of carpet for the Carolina Theatre subproject in March 2011.

Construction is scheduled to begin in June 2011 at the Carolina Theatre and in August 2011 at The Durham Arts Council. The PGMP for full construction allows for sufficient time to advertise for bid, award bids, and execute contracts with Skanska for construction at the Projects for a duration of June through November 2011. It is critical that the agreed-to construction schedule be maintained to accommodate the 2011 events schedules at The Durham Arts Council and Carolina Theatre.

Issues/Analysis

Once the bids are received and, provided the final GMP is within the amount authorized, the City Manager will execute Amendment 2-M (The Durham Arts Council) and 2-N (Carolina Theatre) to complete full construction services. However, if the final GMP exceeds the authorized amount, the CMAR and the Architect will work together to realign the project to the budget. Several alternates relating to finishes and other upgrades (identified as Priority 3 items- the lowest priority classification) are included in the construction bid documents to provide for flexibility to allow the City to contract for construction with the authorized funding.

Alternatives

Council may choose not to authorize General Services to proceed with these amendments for construction services. Staff recommends against this option. Council has already approved the procurement of the carpet to maintain the agreed-upon schedule. City staff has worked diligently with The Durham Arts Council and Carolina Theatre staff to coordinate the 2011 events schedule and construction schedule so that it optimizes an efficient construction schedule while minimizing facility impacts in operations. Delay in authorization of full construction services may jeopardize the completion of the construction as planned and affected events.

General Services intends to proceed with construction, subject to bids confirming with the PGMP.

Financial Impacts

Phase II Project Funding Sources Impact – Funds for this contract amendment are budgeted in the following accounts:

The Durham Arts Council	3301C950 –731000 – CC012	\$1,840,496.00
	3301C951 - 731000 – CC012	\$859,143.00
	3301C950 - 731900 – CC012	\$295,044.00
	3000H901 - 731000 – CH203	\$155,000.00
Subtotal		\$3,149,683.00

Carolina Theatre	3301C950 –731000 - CH030	\$1,066,324.00
	3301C901 - 731000 - CH031	\$288,166.00
	3000H901 - 731000 - CH203	\$19,482.00
	3000H000 - 731000 - CH203	\$200,518.00
	3301C950 –731900 - CH030	\$157,449.00
Subtotal		\$1,731,939.00

Phase II Project Funding Sources

The Durham Arts Council	2009 LOBS	3301C950 - CC012	\$2,535,000.00
	2010 LOBS	3301C951 - CC012	\$859,143.00
	2005 GO Bonds	3000H901 - CH203	\$155,000.00
Subtotal			\$3,549,143.00
Carolina Theatre	2009 LOBS	3301C950 - CH030	
	2005 GO Bonds	3301C901 – CH031	\$1,833,000.00
	2005 GO Bonds	3000H901 – CH203	\$289,945.25

COPS	3000H000 - CH203	\$19,482.00
		\$200,518.00
Subtotal		\$2,342,945.25

Phase II Funding Uses Summary

The Durham Arts Council	
Pre-Design	\$20,243.00
Design	\$253,500.00
Design Contingency	\$25,350.00
Preconstruction Services	\$25,000.00
Other Owner's Expenses	\$75,367.00
Available for Construction - PGMP	\$2,854,639.00
Construction Contingency	295,044.00
Total	\$3,549,143.00

Carolina Theatre	
Pre-Design	\$19,129.50
Design	\$179,500.00
Design Contingency	\$17,950.00
Preconstruction Services	\$25,000.00
Other Owner's Expenses	\$117,269.75
Early Release Carpet	\$229,234.00
Early Release Carpet Contingency	\$22,923.00
Available for Construction Budget - PGMP	\$1,574,490.00
Construction Contingency (10%)	\$157,449.00
Total	\$2,342,945.25

SDBE Summary

This item is the submission of the PGMP for The Durham Arts Council and the Carolina Theater. It was not reviewed by the Department of Equal Opportunity/Equity Assurance for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting. Skanska does have a SDBE Strategic Plan for the Downtown Bundle of projects that would be applicable to this work.